

**Government of India  
Ministry of Finance  
Department of Revenue**

**LOK SABHA  
UN-STARRED QUESTION NO. 2127  
TO BE ANSWERED ON MONDAY, AUGUST 02, 2021  
SRAVANA 11, 1943 (SAKA)**

**RESTRUCTURING OF DIRECT TAXES REGIME**

2127. SHRI T.R. BAALU:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that since two-thirds of the Central cess and surcharges are levied through indirect taxes, higher collections in indirect taxes allow the Union Government to share less taxes with the States;
- (b) if so, the details thereof;
- (c) whether the Government agrees with the view that the agenda for a revamped direct taxes structure should be not just to phase out exemptions, but also to widen the tax base; and
- (d) if so, the measures taken/proposed to be taken by the Government to restructure the direct taxes regime to fetch increased revenues for the Centre?

**ANSWER  
MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)**

(a) & (b): States share of central taxes and duties are determined after deducting cesses and surcharges apart from cost of collection of the respective tax. Higher collections in indirect taxes do not necessarily mean lesser share to States. However, it may be mentioned that cesses from part of Consolidated Fund of India and are used for the purpose for which they are levied, which in many cases involves grant to States. For example, the entire GST compensation cess is levied for the purpose of giving compensation to States for loss of revenue due to introduction of GST. Similarly, 100% of Prarambhik Shiksha Kosh and a substantial portion of the Central Road and Infrastructure Fund, Pradhan Mantri Swasthya Suraksha Nidhi and Madhyamik and Uchchatar Shiksha Kosh is given to States as grants for respective purposes.

The total amount of cess (including surcharge) collected under Indirect Taxes (GST +Non-GST) during the last four years are as under:-

(In Rs. Crore)				
<b>Tax Head</b>	<b>F.Y 2017-18</b>	<b>F.Y 2018-19</b>	<b>F.Y 2019-20</b>	<b>F.Y 2020-21 (P)</b>
Total Cess& Surcharge Collection under Indirect Taxes [GST + Non-GST]	217029.2	267697.6	287402.0	439507.6

Source: Receipt Budget; PrCCA(CBIC) (P)= Provisional

(c) & (d): Yes Sir. The Government agrees with the view that the agenda for a revamped direct taxes structure should be not just to phase out exemption, but also to widen the tax base.

The Government has taken many steps to restructure the direct taxes regime to increase direct tax revenues for the Centre, through curbing tax evasion, widening/deepening of tax base, promoting voluntary compliance, reducing litigation and promoting digital transactions. Details of these steps are as **Annexure**.

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**Steps taken to restructure direct tax regime to fetch increased revenues for the Centre.**

**I. Government has taken step to curb tax evasion and widen and deepen the tax base**

- Tax deduction at source (TDS) and Tax Collection at Source (TCS) scope has been widened by including new transactions like foreign remittance, purchase of luxury car, e-commerce participants, purchase/sale of goods, acquisition of immovable property, etc.
- TDS/TCS for non-filers and for non-PAN cases have been increased.
- Equalisation Levy at 6% for online advertisement and at 2% for sale of goods/provision of services through e-platform, has been introduced.
- Quoting of PAN has been mandated and linking of PAN and Aadhaar has also been made compulsory.
- Black Money Act has been enacted and Benami Act has been operationalized.
- Various amendments have been made in the Income-tax Act to curb tax evasions.

**II. Government has promoted voluntary income-tax compliance through easing of compliance for taxpayers**

- No ITR for senior citizen above 75, if no income other than pension and interest income in the same bank.
- Faceless assessment, faceless appeal and faceless penalty schemes have started to promote transparent, efficient and accountable income tax administration.
- Time limit for completion of income tax proceedings has been reduced.
- CPC 2.0 and E filing 2.0 have been launched to provide better interaction with taxpayers.
- Taxpayer charter has been adopted to respect taxpayer's rights and make them aware of their obligation.
- Document Identification Number has been introduced to promote transparency.
- Pre-filing of returns has been introduced to facilitate easy and accurate filing of income-tax return.
- Form 26AS has been redesigned to give more information to taxpayers enabling correct income tax return filing.
- Many compliances have been reduced.

- Threshold limit for small trusts for exemption from registration/approval has been increased from 1 crore to 5 crore .

### **III. Government has taken steps to reduction litigation**

- Vivad se Vishwas scheme has helped in reducing litigation. Total of 1,32,353 declarations have been received under the scheme covering tax arrears of Rs 99,756 crores.
- Monetary limit for filing appeal have been increased resulting in less litigation from department's side.
- Finance Act 2021 has introduced Dispute Resolution Committee for easy resolution of tax disputes.

### **IV. Government has taken steps to promote digital transactions to create less cash economy**

- Threshold for tax audit has been increased to 10 crore where 95% transaction in business are in non-cash mode.
- TDS on cash withdrawal above a threshold has been introduced
- Presumptive tax rate for small business has been reduced, if business is through digital transactions
- Business over 50 crore of turnover has been mandated to provide non fee based electronic mode of payment
- Threshold limit for cash transactions has been reduced.

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